

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

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Prepared By: The Professional Staff of the Environmental Preservation and Conservation Committee

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BILL: SB 1178

INTRODUCER: Senator Hays

SUBJECT: Permits for Alternative Water Supplies

DATE: January 25, 2012

REVISED: \_\_\_\_\_

|    | ANALYST | STAFF DIRECTOR | REFERENCE | ACTION             |
|----|---------|----------------|-----------|--------------------|
| 1. | Uchino  | Yeatman        | EP        | <b>Pre-meeting</b> |
| 2. |         |                | CA        |                    |
| 3. |         |                | BC        |                    |
| 4. |         |                |           |                    |
| 5. |         |                |           |                    |
| 6. |         |                |           |                    |

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**I. Summary:**

The bill directs that alternative water supply (AWS) development projects are eligible for consumptive use permits (CUPs) of at least 30 years. The permits are subject to compliance reports and water management district (WMD) water shortage orders. The bill specifies a CUP may not be issued for nonbrackish groundwater supplies or nonalternative water supplies. Lastly, the bill specifies which entities may apply for extended CUPs for AWS projects.

This bill substantially amends s. 373.236, of the Florida Statutes.

**II. Present Situation:**

**Consumptive Use Permitting**

Section 373.236(5), F.S., authorizes CUPs for the development of AWS projects. A WMD or the DEP may impose reasonable conditions as are necessary to assure that such use is consistent with the overall objectives of the issuing WMD or the DEP and is not harmful to the water resources of the area.<sup>1</sup>

A CUP establishes the duration and type of water use as well as the maximum amount that may be withdrawn. Pursuant to s. 373.219, F.S., each CUP must be consistent with the objectives of the issuing WMD or the DEP and may not be harmful to the water resources of the area. To obtain a CUP, an applicant must establish that the proposed use of water satisfies the statutory test, commonly referred to as “the three-prong test.” Specifically, the proposed water use must:

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<sup>1</sup> See s. 373.219, F.S.

- be a “reasonable-beneficial use” as defined in s. 373.019(16), F.S.;
- not interfere with any presently existing legal use of water; and
- be consistent with the public interest.

### **The Three-Prong Test**

“Reasonable-beneficial use” is defined as “the use of water in such quantity as is necessary for economic and efficient utilization for a purpose and in a manner which is both reasonable and consistent with the public interest.”<sup>2</sup> The Legislature has declared water a public resource belonging to the public, therefore, wasteful uses of water are not allowed even if there are sufficient resources to meet all other users.

To that end, the DEP has promulgated the Water Resource Implementation Rule that incorporates interpretive criteria for implementing the reasonable-beneficial use standard based on common law and on water management needs.<sup>3</sup> These criteria include consideration of the quantity of water requested; the need, purpose, and value of the use; and the suitability of the source. The criteria also consider the extent and amount of harm caused, whether that harm extends to other lands, and the practicality of mitigating that harm by adjusting the quantity or method of use. Particular consideration is given to the use or reuse of lower quality water, and the long-term ability of the source to supply water without sustaining harm to the surrounding environment and natural resources.<sup>4</sup>

The second element of the three-prong test protects the rights of existing legal uses of water for the duration of their permits.<sup>5</sup> New CUPs cannot be issued if they would conflict with an existing legal use. This criterion is only protective of water users that actually withdraw water not passive users of water resources.<sup>6</sup>

The final element of the three-prong test requires water use to be consistent with the “public interest.” While the DEP’s Water Resource Implementation Rule provides criteria for determining the “public interest,” determination of a public interest is made on a case-by-case basis during the permitting process.<sup>7</sup> However, the WMDs and the DEP have broad authority to determine which uses best serve the public interest if there are not sufficient resources to fulfill all applicants’ CUPs. In the event that two or more competing applications are deemed to be equally in the public interest, the WMDs or the DEP gives preference to renewal applications.<sup>8</sup>

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<sup>2</sup> Section 373.019(16), F.S.

<sup>3</sup> See generally rule 62-40, F.A.C.

<sup>4</sup> *Southwest Florida Water Management District v. Charlotte County*, 774 So. 2d 903, 911 (Fla. 2d DCA 2001) (upholding the WMD’s use of criteria for implementing the reasonable-beneficial use standard).

<sup>5</sup> Section 373.223(1)(b), F.S.

<sup>6</sup> See *Harloff v. City of Sarasota*, 575 So. 2d 1324 (Fla. 2d DCA 1991) (holding a municipal wellfield was an existing legal user and should be afforded protection). In contrast, see *West Coast Regional Water Supply Authority v. Southwest Florida Water Management District*, 89 ER F.A.L.R. 166 (Final Order, Aug. 30, 1989) (holding a farmer who passively relied on a higher water table to grow nonirrigated crops and standing surface water bodies to water cattle was not an existing legal user).

<sup>7</sup> *Supra* note 3.

<sup>8</sup> See s. 373.233, F.S.

### **Duration of Permits and Compliance Reviews**

Pursuant to s. 373.236(1), F.S., CUPs must be granted for 20 years if requested by the applicant and there is sufficient data to provide reasonable assurance that the conditions for permit issuance will be met for the duration of the permit. If either of these requirements is not met, a CUP with a shorter duration may be issued to reflect the period for which reasonable assurances can be provided. The WMDs and the DEP may determine the duration of permits based upon a reasonable system of classification according to the water source, type of use or both.

Pursuant to s. 373.236(4), F.S., when necessary to maintain “reasonable assurance” that initial conditions for issuance of a 20-year CUP can continue to be met, a WMD or the DEP may require a permittee to produce a compliance report every 10 years.<sup>9</sup> A compliance report must contain sufficient data to maintain reasonable assurance that the initial permit conditions are met, including original demand projections. After reviewing a compliance report, a WMD or the DEP may modify the permit, including reductions or changes in the initial allocations of water, to ensure the water use comports with initial conditions for issuance of the CUP. Permit modifications made by a WMD or the DEP during a compliance review cannot be subject to competing applications for water use if the permittee is not seeking additional water allocations or changes in water sources.

### **Consumptive Use Permits for the Development of Alternative Water Supplies**

Section 373.019(5), F.S., defines “alternative water supplies” as:

[S]alt water; brackish surface and groundwater; surface water captured predominately during wet-weather flows; sources made available through the addition of new storage capacity for surface or groundwater, water that has been reclaimed after one or more public supply, municipal, industrial, commercial, or agricultural uses; the downstream augmentation of water bodies with reclaimed water; stormwater; and any other water supply source that is designated as nontraditional for a water supply planning region in the applicable regional water supply plan.

CUPs issued pursuant to s. 373.236(5), F.S., for the development of AWS must be issued for at least 20 years. If the permittee issues bonds to finance construction of the AWS project, the permit must be extended to expire upon retirement of the bonds if the permittee requests an extension during the term of the permit and the issuing WMD’s governing board determines the use will continue to meet the CUP’s conditions. Compliance reports may also be required every 10 years for CUPs issued for AWS projects. WMDs generally issue CUPS with a maximum term of 20 years for the development of AWS, although some 30-year CUPs for AWS projects have been issued.

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<sup>9</sup> In limited instances, the statute authorizes more frequent “look backs”. For example, the Suwannee River WMD may require a compliance report every five years through July 1, 2015, after which the “look-back” period returns to 10 years.

### III. Effect of Proposed Changes:

**Section 1** amends s. 373.236, F.S., extending the permit terms for the development of AWS projects from 20 to 30 years for permits issued after July 1, 2011. This applies to AWS projects by counties, special districts, regional water supply authorities, multijurisdictional water supply entities, or publically or privately owned utilities. If the permittee issues bonds to finance the project, completes the project and requests an extension of the CUP duration, the CUP must be extended for a maximum of seven years. This will allow the entity that develops the AWS project to operate the AWS project for 30 years after construction in order to repay 30-year bonds.

CUPs issued pursuant to this bill are subject to compliance reports; however, the quantity of alternative water allocated under the permit cannot be reduced during the compliance review if bonds that financed the project are outstanding. This provision does not apply to adopted districtwide water shortage orders.

The bill clarifies that CUPs cannot be issued for AWS projects for nonbrackish groundwater supplies (i.e., fresh water) or nonalternative water supplies. It also clarifies that counties, special districts, regional water supply authorities, multijurisdictional water supply entities, or publically or privately owned utilities may apply for an AWS permit under either s. 373.236(5)(a) or (b), F.S.

**Section 2** provides an effective date of July 1, 2012.

#### **Other Potential Implications:**

The bill prohibits the quantity of alternative water allotted under a CUP from being reduced if bonds used to fund the project are outstanding. This conflicts with existing law that a CUP not harm the water resources of an area or interfere with any presently existing legal use of water.<sup>10</sup>

### IV. Constitutional Issues:

#### A. Municipality/County Mandates Restrictions:

None.

#### B. Public Records/Open Meetings Issues:

None.

#### C. Trust Funds Restrictions:

None.

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<sup>10</sup> See ss. 373.219(1) and 373.223(1)(b), F.S., respectively.

**V. Fiscal Impact Statement:****A. Tax/Fee Issues:**

None.

**B. Private Sector Impact:**

Most bonds issued to fund the capital construction costs of an AWS project are 30-year bonds; however, most AWS CUPs are only issued for 20 years. This discrepancy may affect the interest rate the AWS developer has to pay to launch the bonds. The impact of this is indeterminate but may be significant if the uncertainty in renewing a 20-year CUP for a 30-year bond has significant weight in the rating agencies' models. For example, an A-rated \$100 million bond may cost \$7-10 million more over the life of the bond as compared to an AAA-rated bond. Also, by allowing an up to seven-year extension under certain circumstances, AWS developers will be able to operate the AWS project without having to reapply for a CUP at the end of the initial 30-year duration. This will ensure operation of the AWS project for a full 30-year term.

**C. Government Sector Impact:**

The bill may have a negative but indeterminate effect on permit revenues for the DEP or the WMDs; however, any impacts are expected to be met by existing staff and resources.

**VI. Technical Deficiencies:**

The bill was not intended to apply retroactively to permits issued after July 1, 2011. The date should be July 1, 2012.

**VII. Related Issues:**

The WMDs and the DEP may issue a CUP for 20 years if the applicant provides reasonable assurance that the conditions for permit issuance, including original demand forecasts, will be for the entire CUP duration. CUP allotments may be adjusted downward during compliance reviews if the original demand forecasts overestimated the actual use. This is done to comply with the reasonable-beneficial use element of the three-prong test. The bill specifies that AWS CUP allotments may not be reduced during compliance reviews if bonds are outstanding on the project. This will allow developers of AWS projects to continue to operate under the original CUP conditions and avoid negative fiscal impacts of a reduced allotment if certain goals are not being met.

Additionally, by amending this section to explicitly require reasonable assurance for a variety of CUPs, a court may find that Legislature implicitly excluded the necessity to provide reasonable assurance for a 50-year permit for certain government works. It would be the only permit category left out of reasonable assurance requirements of s 373.236, F.S. Currently the WMDs require reasonable assurance for the up to 50-year permit.

**VIII. Additional Information:**

- A. **Committee Substitute – Statement of Substantial Changes:**  
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

- B. **Amendments:**

None.

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This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

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